

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING RULES

Docket No. RM2018-2

UNITED STATES POSTAL SERVICE PETITION FOR
RULEMAKING ON PERIODIC REPORTING
(December 27, 2017)

The United States Postal Service requests that the Postal Regulatory Commission initiate a rulemaking proceeding to consider three changes to the periodic reporting rules codified in 39 C.F.R. Section 3050. First, the Postal Service requests that the Commission adjust the deadlines for the quarterly Revenue, Pieces, and Weight (“RPW”) report, the Quarterly Statistics Report (“QSR”), the quarterly Billing Determinants (“Billing Determinants”), and the monthly National Consolidated Trial Balance and Revenue and Expense Summary (“Trial Balance”) report, to align them more effectively with other financial reporting deadlines. Second, the Postal Service requests that the Commission modify the format of the Monthly Summary Financial Report, and the definition of “Operating Revenue” incorporated therein, to make the report more consistent with the Postal Service’s quarterly and annual financial reports. Finally, the Postal Service encourages the Commission to consider eliminating or modifying any reporting requirements that have become unnecessary or irrelevant since the current periodic reporting rules were first adopted in 2009.¹

¹ See Notice of Final Rule Prescribing Form and Content of Periodic Reports, Order No. 203, Docket No. RM2008-4 (April 16, 2009).

I. The Commission Should Modify Certain Periodic Reporting Deadlines

A. Quarterly RPW and QSR Reports

Under the Commission's rules for periodic reporting, the Postal Service is required to file "[r]evenue, pieces, and weight by rate category and special service by quarter" within 30 days of the close of each quarter.² Similarly, the Quarterly Statistics Report, "including estimates by shape, weight, and indicia," must be filed within 30 days after the close of each quarter.³ Quarterly financial reporting, on the other hand, is filed within 40 days of the close of each non-year-end quarter⁴ and within 60 days of each year end.⁵ The Postal Service proposes to align the due dates for the quarterly RPW and QSR reports with the schedule for quarterly and year-end financial reporting set forth in Section 3050.40(a) (*i.e.*, the Form 10-Q and Form 10-K, respectively). The RPW and QSR reports for Quarters 1, 2, and 3 would then be due 40 days after the close of the quarter, and the RPW and QSR reports for Quarter 4 would be due 60 days after year-end.

Both the RPW and the QSR rely on information that is reported in the 10-Q and 10-K. Specifically, the total revenue information provided in the RPW report is tied to the 10-Q, and thus ultimately to the Trial Balance, which is maintained by the Corporate

² 39 C.F.R. § 3050.25(c).

³ 39 C.F.R. § 3050.25(d).

⁴ *I.e.*, Quarters 1 through 3.

⁵ See 39 C.F.R. §§ 3050.40(a)(1) (providing for the filing of a quarterly report "containing the information required by the Securities and Exchange Commission to be included in quarterly reports under sections 13 and 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m, 78o(d)) on Form 10-Q, as such form (or any successor form) may be revised from time to time"); and 3050.40(a)(2) (providing for the filing of a corresponding annual 10-K report within 60 days after the end of each fiscal year). Although Rule 3050.40 does not require the 10-K to be filed until 60 days following year end, as a matter of practice, the Postal Service typically files it within 45 days of year end, to coincide with the United States Department of Treasury's financial reporting requirements.

Accounting group of the Postal Service. The QSR, in turn, further separates the information reported in the RPW by shape and indicia. Until the information reported in Form 10-Q and Form 10-K is final, however, USPS Corporate Accounting may need to adjust the General Ledger for any changes that are discovered as a result of its reporting processes. Synchronizing the RPW and QSR filing dates with the 10-Q and 10-K filing dates would help ensure that all reports containing related information are aligned, and avoid potential restatements to the RPW or QSR data based on changes that may occur toward the end of the financial reporting cycle.

B. Quarterly Billing Determinants

The Commission's regulations currently require the Postal Service to file billing determinants within 40 days of the close of each quarter.⁶ As the Commission knows, however, billing determinants are not merely a data system output, but rather are the product of several data sources being combined and synthesized by analysts with knowledge of the respective mail classes and the dynamics regarding volume and revenue trends. The key data necessary for preparation of the billing determinants, which themselves often rely upon other sources of periodic reporting, simply are not available on a timeline that allows for completion and submission within the current deadline of 40 days.

Key inputs to the billing determinants are the RPW and other inputs that break out weight, zone, shape, and indicia in finer detail. The RPW report, for the reasons noted in Section I.A above, is subject to change up until 40 days following the end of Quarters 1, 2, and 3. Additional inputs, used by some classes of mail, can only be

⁶ 39 C.F.R. § 3050.25(e).

produced after the RPW is finalized. These other inputs take between five and seven days to produce. From the time that the inputs are finalized, the billing determinants themselves take between five to seven days to produce. Once the billing determinants are produced, they must then be quality checked, which takes an additional three to five days. The quality-checked billing determinants then require an additional day to be formatted and filed. Based on recent experience, the total timeline for completion of the billing determinants is between 49 and 60 days, depending on the availability of the inputs. As discussed above, the Quarter 4 RPW may not be released until 60 days after the close of the quarter, and thus the time required to complete the Quarter 4 billing determinants extends even further past the current 40 day deadline applicable to Quarter 4. The preparation of Quarter 4 reporting also occurs at the same time that the Annual Compliance Report (“ACR”) is being prepared, resulting in often conflicting demands on the time and effort required of Postal Service analysts and other employees.

The Postal Service proposes that the deadline for quarterly billing determinants be extended to 60 days after the end of the quarter for Quarters 1 through 3, and 90 days after year-end for Quarter 4. In addition, Quarter 4 billing determinants should be incorporated into the annual billing determinants submission that is required within 90 days after year-end, rather than being submitted as a standalone filing. Eliminating the standalone Quarter 4 filing would help the Postal Service allocate scarce time and resources more effectively to year-end reporting. Because Section 3050.25(b) already requires the annual billing determinants to be broken out by quarter, the Commission and other parties would continue to have access to billing determinants specific to the

fourth quarter.⁷

C. Monthly Trial Balance Reports

Under the Commission's rules, the Postal Service is required to provide the Trial Balance report within 15 days of the close of each month.⁸ The Monthly Summary Financial Report, on the other hand, is due on the 24th day of each month (for the prior month), "except that the report for the last month of each quarter shall be provided at the time that the Form 10-Q report is provided."⁹

Each month's Trial Balance report includes information that overlaps significantly with the information disclosed in the Monthly Summary Financial Report; specifically, the Trial Balance provides certain key inputs for the Monthly Summary. When data from the Trial Balance report are incorporated into the Monthly Summary Financial Report as part of the quarterly close process, however, the Postal Service occasionally identifies adjustments that need to be made to the Trial Balance report after the 15th day of the following month. As with the proposal above to align the RPW, QSR, and 10-Q and 10-K reports, synchronizing the due dates for the Monthly Trial Balance and Monthly Summary Financial Reports would help ensure that reports containing related information are aligned, and avoid potential restatements to the Trial Balance based on changes that may occur prior to the filing of the Monthly Summary Financial Report. The Postal Service therefore requests that the deadline for the monthly Trial Balance reports be modified to match the deadline specified in Section 3050.28(b) for the

⁷ Under this proposal, the deadline for filing of annual RPW and billing determinants would remain the same; they still will be filed with the ACR, within 90 days after the end of the fiscal year. See 39 C.F.R. § 3050.25(b).

⁸ 39 C.F.R. § 3050.28(a), (c).

⁹ 39 C.F.R. § 3050.28(b).

Monthly Summary Financial Report. For most months, the Trial Balance report would then be filed on the 24th day of the month; for December, March, and June, it would be filed on the same day the 10-Q is filed; and for September, it would be filed on the same day the 10-K is filed.

II. The Commission Should Change the Format of the Monthly Summary Financial Report

The Commission's rules provide that the Monthly Summary Financial Report follow a specific format set forth in Section 3050.28(b)(1), including tables showing the USPS Monthly Financial Statement (Table 1), Mail Volume and Mail Revenue (Table 2), USPS Expenses (Table 3), and USPS Workhours (Table 4).¹⁰ Tables 1, 2, and 3 currently include, among other data points, generally accepted accounting principles ("GAAP") measures of other non-operating revenue, interest income, and interest expense, which roll up into a total Net Income (or Loss) on Table 1, total Revenue on Table 2, and total Expenses on Table 3, as applicable.

The Postal Service discloses its interest income, interest expense, non-operating revenue (gains/losses from the sale of real estate and other miscellaneous revenue), total net income, total revenue, and total expenses on a quarterly and yearly basis as part of its 10-Q and 10-K reporting, and is required to provide much of the same information as part of its monthly reporting.¹¹ However, the term "Operating Revenue," as it is used in the current formats for Table 1 and Table 2, is somewhat of a misnomer.

¹⁰ 39 C.F.R. §3050.28(b).

¹¹ It should be noted that the Postal Service is currently providing more detailed information in its monthly reporting than is required by the rule. Specifically, the Postal Service provides several line items of information about its controllable operating expenses and controllable operating income in Tables 1 and 3. In addition, international volume and revenue are broken out from their domestic counterparts in Tables 1 and 2. See, e.g., USPS Preliminary Financial Information (Unaudited), September 2017 (Nov. 14, 2017), at pp. 1-3, *available at* www.prc.gov/dockets/usps_reports.

The “Total Operating Revenue” currently required to be reported in Table 1 is comprised of two subparts listed on the table, “Mail and Services Revenue” and “Government Appropriations.” Meanwhile, in Table 2, the “Total All Mail” revenue figure includes both revenue from postal products and services, and interest and investment income.¹² The Postal Service’s 10-K, on the other hand, excludes non-operating revenue and interest and investment income from its schedule of operating revenue and volume, disclosing them elsewhere in the report.¹³ The “Total revenue” disclosed in the 10-K’s Statements of Operations is the sum of “Operating revenue” and “Other revenue,” while “Interest and investment income” is reported as a separate line item.¹⁴

The Postal Service proposes that the preliminary financial information sent to the Commission on a monthly basis, as presented in the Monthly Summary Financial Report, be modified to align the definition of “operating revenue” with the way that same term is defined for purposes of the Postal Service’s 10-Q and 10-K reporting. Specifically, rather than showing “Operating Revenue” at the top of Table 1 as the sum of “Mail and Services Revenue” and “Government Appropriations,” as is currently required by Section 3050.28(b)(1), the Postal Service proposes to include one line item for “Operating Revenue,” one for “Other Revenue” (reflecting the U.S. GAAP measure of “other revenue”), and one for “Total Revenue,” to match the structure used in the 10-K. Government Appropriations, while not broken out as a separate line item, will become part of operating revenue, consistent with how the Postal Service reports it for

¹² See, e.g., *id.* at p. 2, Note 3 (“Revenue on this report includes investment and interest income.”).

¹³ United States Postal Service, 2017 Report on Form 10-K (Nov. 14, 2017), at 19, *available at* www.prc.gov/dockets/usps_reports (“Non-operating revenue is no longer included in this schedule.”).

¹⁴ *Id.* at 45.

U.S. GAAP purposes. Similarly, Table 2 would include a “Total Operating Revenue” line item that would match the “Operating Revenue” reported on Table 1. The new “Total Operating Revenue” input on Table 2 would replace the current “Total All Mail” input, but its underlying purpose, as the Postal Service understands it in the context of its quarterly financial reporting, would be the same: only revenue streams that are reported as operating revenue would be presented in Table 2, while other revenue and investment and interest income would be excluded from the total. As noted above, other non-operating revenue, as well as other U.S. GAAP measures of net income (or net loss) that include interest income and interest expense, would be reported separately on Table 1.

In addition to the changes described above, the Postal Service recommends that the reference to “Standard Mail” in Table 2 be updated to reflect the new name of the class, “USPS Marketing Mail.”

Attachment A shows the line items that would change in Tables 1 and 2 as a result of the Postal Service’s proposal. Tables 3 and 4 would remain unchanged.¹⁵

¹⁵ At this time, the Postal Service does not propose to add to any of the tables set forth in Section 3050.28(b)(1) the additional line items relating to controllable income, controllable expenses, and international volume and revenue that it has elected to include in its recent monthly reporting. Over time, the relevance of these supplemental line items may change (e.g., as a result of legislation or based on other factors), and it may no longer be feasible or useful to break them out from the total reported revenue, expenses, and volumes disclosed in its monthly reports. To the extent the Postal Service continues to include this information voluntarily, the information should be viewed as supplementary to, and not a replacement for, the information that is formally required by Rule 3050.28(b)(1).

III. The Commission Should Consider Eliminating or Modifying Any Unnecessary Reporting Requirements

Under Section 3652, the Commission has the authority to prescribe the content and form of the Postal Service's periodic reporting. In enacting rules for this purpose, the Commission balances three competing factors:

- (A) providing the public with timely, adequate information to assess the lawfulness of rates charged;
- (B) avoiding unnecessary or unwarranted administrative effort and expense on the part of the Postal Service; and
- (C) protecting the confidentiality of commercially sensitive information.

39 U.S.C. § 3652(e)(1). It has been nine years since the Commission issued its Notice of Proposed Rulemaking addressing the form and content of the ACR and other periodic reporting requirements, and eight years since the proposed rules were finalized.¹⁶ During that time, the Commission has gained a wealth of experience in overseeing the Postal Service's compliance with Chapter 36 of Title 39 and in observing which data sources are the most useful and relevant for that purpose. To the extent that one or more of the reports required under Part 3050 can be eliminated or modified in scope to avoid imposing "unnecessary or unwarranted administrative effort and expense" on the Postal Service, while still enabling the Commission to carry out its

¹⁶ See Notice of Proposed Rulemaking Prescribing Form and Content of Periodic Reports, Order No. 104, Docket No. RM2008-4 (Aug. 22, 2008); Order No. 203, *supra* note 1.

oversight responsibilities, the Postal Service urges the Commission to consider updating its rules accordingly.

IV. Conclusion

For the foregoing reasons, the Postal Service respectfully requests that the Commission modify certain portions of 39 C.F.R. Part 3050, as requested in this Petition.

Respectfully submitted,

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ATTACHMENT A

Month, Fiscal Year
[\$ millions]

[illegible]

Total Non-Career Employees...										
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Table 2 – Mail Volume and Mail Revenue
Month, Fiscal Year
[Thousands]

	Current Period			Year-to-Date		
	Actual	SPLY	% SPLY Var	Actual	SPLY	% SPLY Var
Market Dominant Products:.....						
First Class:						
Volume.....						
Revenue.....						
Periodicals:						
Volume.....						
Revenue.....						
Standard USPS Marketing Mail:						
Volume.....						
Revenue.....						
Package Services:						
Volume.....						
Revenue.....						
All Other Market Dominant Mail:						
Volume.....						
Revenue.....						
Total Market Dominant Products:						
Volume.....						
Revenue.....						
Total Competitive Products:						
Volume.....						
Revenue.....						
Total All Mail Operating Revenue:						
Volume.....						
Revenue.....						